

# **WASHINGTON STATE GAMBLING COMMISSION**

## **PUNCHBOARD/PULL TAB LICENSEE TRAINING**

**The purpose of this document and training class is to introduce you to the rules governing the operation of Punchboards and Pull Tabs in Washington State.**

**This handout contains a paraphrased summary of rules and regulations. For actual text, refer to your rules manual. In cases where this handout and the manual do not agree, the rules manual should be considered the correct source document.**

**You are responsible for knowing all rules and regulations that govern your particular gambling activity. If you have any questions, it is your responsibility to contact your local Gambling Commission Agent or the Commission for clarification.**

**GC4-208**

**Reviewed 08/2004**

<b><u>Class of License</u></b>	<b><u>Max. Annual Gross Receipts</u></b>	<b><u>Variance</u></b>
<b>Class A</b>	<b>Up to \$50,000</b>	<b>\$5,000</b>
<b>Class B</b>	<b>Up to \$100,000</b>	<b>\$5,000</b>
<b>Class C</b>	<b>Up to \$200,000</b>	<b>\$10,000</b>
<b>Class D</b>	<b>Up to \$300,000</b>	<b>\$10,000</b>
<b>Class E</b>	<b>Up to \$400,000</b>	<b>\$10,000</b>
<b>Class F</b>	<b>Up to \$500,000</b>	<b>\$10,000</b>
<b>Class G</b>	<b>Up to \$600,000</b>	<b>\$10,000</b>
<b>Class H</b>	<b>Up to \$700,000</b>	<b>\$10,000</b>
<b>Class I</b>	<b>Up to \$800,000</b>	<b>\$10,000</b>
<b>Class J</b>	<b>Up to \$1,000,000</b>	<b>\$20,000</b>
<b>Class K</b>	<b>Up to \$1,250,000</b>	<b>\$25,000</b>
<b>Class L</b>	<b>Up to \$1,500,000</b>	<b>\$25,000</b>
<b>Class M</b>	<b>Up to \$1,750,000</b>	<b>\$25,000</b>
<b>Class N</b>	<b>Up to \$2,000,000</b>	<b>\$25,000</b>
<b>Class O</b>	<b>Over \$2,000,000</b>	<b>Not applicable</b>

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# **WASHINGTON STATE GAMBLING COMMISSION**

## **PUNCHBOARD/PULL TAB LICENSEE TRAINING**

### ***Washington Administrative Code, Chapter 230***

#### **I. RULES APPLICABLE TO BOTH CHARITABLE/NONPROFIT ORGANIZATIONS AND COMMERCIAL OPERATORS**

##### **A. GENERAL RULES**

##### **230-12-010 Inspection of Premises**

Any time a licensed activity is being operated on a premises, the Commission, its representatives, or local law enforcement may enter a premises without advance notice and conduct an inspection of the premises.

Items you must have available during an inspection include:

- Current gambling license (see below)
- Current Gambling Commission rules manual (see below)
- Problem gambling posters or brochures (see below)
- Invoices for any games in play, including merchandise prize invoices
- Flare, winning tabs, and unsold tabs for any games in play

The agent may also request other items such as your monthly income summary that is required to be completed within a specific time period (see WAC 230-08-010) from the end of each month. These items are not required to be available during the inspection, but must be made available in a timely manner by contacting a person responsible for maintaining those records.

##### **230-04-450 Display of License**

All licenses granted by the Commission shall be prominently displayed on the licensed premises in plain view of the players.

##### **230-12-080 Rules Manual**

Each licensee must maintain a current copy of the rules manual on the licensed premises. It shall be available to any person upon demand. Notification of changes to the rules will be through the bi-monthly newsletter, which is sent to all licensees. It is suggested that licensees keep the newsletters with the rules manual in a three-ring binder in order to keep the manual current.

##### **230-12-090 Problem Gambling Informational Sign Must Be Posted**

Licensees must prominently post problem gambling informational signs at each entrance and exit of their establishments. These signs will be provided by the Gambling Commission, free of charge, and will contain the toll-free hotline number for the Washington State Council on Problem Gambling. Brochures supplied by the Gambling Commission may be utilized instead of signs.

If a licensee fails to prominently post the problem gambling informational signs in its establishment, it may be subject to a two, seven, or fourteen-day suspension of its license.

**230-04-455     Employees to Wear Identification Badges**

Each employee required to obtain a license from the Commission (i.e. licensed gambling managers) shall wear an identification tag at all times while working or playing in the gambling activity on the employer's premises. The tag shall be a minimum of 3" x 2" and display the employee's name and the name of the establishment. All information must be clear and easily read. The operator shall furnish the tag and is equally responsible with the employee to ensure the tag is properly worn.

**230-12-050     Credit**

No licensee, including its members or employees, shall extend credit or grant a loan or gift of any kind at any time to a person playing or participating in a gambling activity. **Payment will be by cash, check, or electronic point-of-sale bank transfer only.**

**NOTE:            THE USE OF CREDIT CARDS FOR DIRECT GAMBLING PURCHASES IS NOT AUTHORIZED.**

**230-12-053     Acceptance of Checks**

Licensees may accept checks from players under the following circumstances:

- (1) Checks shall be dated the same day offered and fully negotiable upon acceptance by the licensee.
- (2) Checks **SHALL NOT** be:
  - A third party check drawn on an individual's personal account.
  - A counter check offered by the licensee.
  - From a player who owes the licensee money from previous NSF checks (returned for non-sufficient funds). However, this shall not apply to a licensee who utilizes a check guarantee and collection service.

**230-12-030     No Beer or Liquor as Prizes.**

**230-12-040     No Firearms as Prizes.**

**B.        REQUIRED NOTIFICATIONS**

**230-04-280     Notify Local Law Enforcement**

Within ten (10) days after issuance of a gambling license and before initially conducting any activity, the licensee shall notify their local law enforcement agency in writing of their intent to operate a gambling activity. See WAC 230-04-280 for details on the information required to be submitted.

**NOTE:            There are responsibilities for taxation that should be satisfied with the local taxing authority (city or county), as well as the Washington State Department of Revenue and the Internal Revenue Service. Please contact these agencies for specifics of those taxation requirements. Failure to make required tax payments to local authorities may result in denial, suspension, or revocation of gambling licenses.**

**230-04-330     Change of Management**

If there is a change in management, directors, officers, or any other person who makes decisions affecting the operation of any gambling activity, the Gambling Commission must be notified in writing within thirty (30) days following the change.

Changes of officers at nonprofit and charitable organizations need not be submitted until the renewal date of any gambling license or when the organization submits an application for an additional gambling license, whichever is sooner.

If there is a change of a substantial interest holder (see WAC 230-02-300), the license may be voided. See WAC 230-04-340 for conditions that allow a transfer of a license.

**230-04-310     Change of Name**

No licensee shall change their trade or corporate name without notifying the Commission at least thirty (30) days prior to the effective date of such change. The Commission shall approve such changes.

**230-04-320     Change of Location**

Changes in the location of the licensed premises shall not be made without the written consent of the Commission.

**230-12-305     Report Leases, Agreements, and Loans in Excess of \$2,000**

Licensed operators are required to submit any information concerning loans from other than a recognized financial institution which individually or collectively exceed a total of \$2,000 during any calendar year. This includes loans from corporate officers and shareholders. The information should be submitted on the next quarterly report. Licensed operators must also submit all leases, rental, consignment, franchise, or other agreements relating to gambling activities or altering the commercial stimulant business.

**230-12-310     Civil and/or Criminal Suits**

The licensee will report to the Commission all civil or criminal actions (except for personal injury, debt collection, adoption, paternity, wage disputes, and non-criminal traffic infractions) filed by or against them (including the president, chief executive officer, chairman of the board, treasurer, partner, any person holding a substantial interest (see WAC 230-02-300), or manager of the licensed activity). Licensees must also report the final disposition of each case.

Notification will be made within 30 days of the notice of the action filed or with the next quarterly activity report filed with the Commission, whichever is sooner.

**230-04-260     Exceeding License Class**

A licensee shall not exceed the class limit of the licensed activity. When it becomes apparent that the licensee is going to exceed its licensed class limit, the licensee shall immediately notify the Commission and upgrade its license to the proper license class. The cost shall be the difference between the two classes of licenses, plus a small fee.

*NOTE:* For PB/PT licensees only, there is a one-time variance allowance (see chart at end of training handout). If the licensee exceeds the maximum gross receipts limit, but remains within

the variance allowed in the chart, the licensee will not be required to upgrade during THE CURRENT LICENSE YEAR. However, upon renewal, the license must be upgraded to the higher level.

A licensee failing to comply with the upgrade requirements may be assessed an exceeding class fee not to exceed \$1,000.

## **II. RULES APPLICABLE ONLY TO NONPROFIT/CHARITABLE ORGANIZATIONS**

### **9.46.120(1) Use of Proceeds - Nonprofit/Charitable Only**

No part of any proceeds shall be used to benefit any person other than the organization conducting such gambling activities. If such gambling activities are for the charitable benefit of any specific person(s), it must be designated in the application for a license before the proceeds can be used for that person(s).

### **230-12-020 Gambling Receipts Account - Nonprofit/Charitable Only**

Attachment A Every licensed bona fide charitable or non-profit organization shall protect all funds generated from gambling activities and keep such separate and apart from the licensee's general funds. The funds shall be controlled as follows:

1. Each licensee shall keep a separate bank account for purposes of depositing gambling receipts. Licensees are not limited to a single gambling receipts account, as long as a minimum of one separate account is maintained.
2. Only receipts from gambling activities shall be deposited into the gambling receipts account.
3. No expenditures, other than for prizes, shall be made from the receipts of the gambling activity until such receipts have first been deposited in the gambling receipts account.
4. The net receipts (actual cash) for each game are required to be deposited no later than two banking days after a game has been pulled from play. The WSGC ID Stamp number and the deposit amount for each game must be written on, or referenced and attached to, the deposit slip.

### **230-08-110 Prize Inventory Control Procedures – Nonprofit/Charitable Organizations**

Attachment B An inventory control record shall be maintained for each item purchased or obtained for use as prizes for gambling activities. The inventory control record shall provide at least the following details:

- A description and quantity of the items purchased
- The per-unit cost
- The date purchased
- The vendor's name (or reference number) and invoice number
- The date, number of items, and reasons for items being removed from the inventory (issued as prize, returned to the vendor, converted for use by the organization, etc.)
- Cumulative quantity of items remaining in inventory

### **230-04-145 Licensing of Nonprofit/Charitable Gambling Managers**

The primary pull tab manager for a Class C and above charitable/nonprofit organization must be licensed, as well as any employee responsible for the operation of progressive jackpot pull tab games (see WAC 230-30-025). A gambling manager is any member or employee who has the ability to, directly or indirectly, exercise a material degree of control over the operations of any gambling activity or the disbursement of funds generated from gambling activities. Licensed gambling managers must pay a fee to transfer their license to another employer.

**230-12-078     Independent Management Control Structure Required**

The officers and board of trustees are responsible for implementing and maintaining an operating environment that ensures: gambling activities are closely supervised and operated in accordance with Commission rules; gambling proceeds go to the organization and are used for its stated purpose; and all assets are protected from misuse.

The operating environment should include a system designed to: reduce errors; minimize the risk of misuse, theft, fraud, and embezzlement; safeguard assets; and ensure the records/reports are complete and accurate.

**III.     RULES APPLICABLE ONLY TO COMMERCIAL STIMULANT LICENSEES**

**230-02-240     Commercial Gambling Manager Defined**

A commercial gambling manager is a person, whether compensated or not, who is responsible for operating and controlling the commercial gambling activities, and who has the authority to make decisions regarding the gambling activities. A gambling manager may be an owner, partner, officer of a corporation, or a person designated by any of the above. See WAC 230-02-240 for a more detailed definition of a commercial gambling manager. All gambling managers must be identified as such to the Commission.

**230-04-143     Licensing of Commercial Gambling Managers**

Commercial gambling managers are required to be licensed if they are responsible for supervising the operation of progressive jackpot pull tab games (see WAC 230-30-025). A licensed commercial gambling manager must be on duty at any time the progressive jackpot games are offered for public play. Licensed commercial gambling managers must pay a fee to transfer their license to another employer.



**I. UNLICENSED AUTHORIZED ACTIVITIES**

**RCW 9.46 1973 Gambling Act**

All gambling in the State of Washington is prohibited, unless specifically authorized by statute. Certain gambling activities are authorized by the Legislature but are not licensed. These activities **MUST** be conducted in a specific manner as defined within the Gambling Act. Examples of these activities are listed below:

**9.46.0335 Sports Pools Authorized**

Requirements for sports pools are as follows:

- (1) Must be betting on an actual sporting event
- (2) Only one board per sporting event
- (3) Exactly 100 squares
- (4) Cost to enter cannot exceed \$1.00 per square
- (5) All proceeds must be distributed to the winner(s) less applicable taxes
- (6) All sports boards must be available for inspection upon demand

**9.46.0305 Dice/Coin Contests (Commercial Establishments)**

- (1) For food/beverage to be consumed on premises
- (2) For music
- (3) No double-or-nothing wagers

**9.46.0351 Social Dice/Cards (Non-Profit Organizations with Class H Club Liquor License)**

- (1) Members Only - No Guests
- (2) Nothing charged or collected from players

**9.46.0341 Golfing Sweepstakes (Non-Profit Organizations Only)**

**9.46.0345 Bowling Sweepstakes (Commercial Establishments)**

**9.46.0361 Turkey Shoots (Non-Profit Organizations Only)**

**9.46.0355 Promotional Contests of Chance**

See brochures titled "Authorized Gambling Activities" and "Prohibited Gambling Activities and Criminal Penalties" for further details.

**II. CRIMINAL VIOLATIONS/ILLEGAL ACTIVITIES**

**9.46.153(3) Licensee Responsibilities Regarding Illegal Activities**

Licensees, managers, and employees must notify the Gambling Commission if they suspect illegal gambling activity may be occurring on or off the premises. If a licensee, manager, or employee knows an illegal activity is being conducted and fails to notify the Commission and/or the appropriate law enforcement agency, the person risks losing his or her gambling license.

**9.46.0269 & Professional Gambling**  
**9.46.220-222**

The solicitation of players for after-hours, illegal card games or allowing a bookmaking operation to be conducted on the premises is professional gambling. Licensees who allow any unauthorized or illegal activity to occur on their premises are aiding and abetting professional gambling. Operators, managers, and employees have an affirmative duty to ensure that their establishments are not used for the conduct of illegal activities or to solicit participants for illegal activities.

**NOTE:** In addition to the responsibilities cited above concerning information and/or involvement in illegal gambling activities, operators and licensed gambling employees are reminded that involvement in or knowledge of other types of illegal activity can also be grounds for suspension or revocation of a gambling license.

**Bookmaking and After-hours Card Games**

Attachment C The two most common illegal gambling activities that might be conducted on your premises are bookmaking and solicitation of players for after-hours card games. These activities are illegal because the people operating them are doing so as a business by collecting a fee for participation.

**9.46.0213** **Bookmaking** is defined as “accepting bets...as a business or in which the bettor is charged a fee or “vigorish” for the opportunity to place a bet.” Included in the back of this handout are some examples of the ways a bookmaker records bets and typical publications they use. If you see evidence of these types of documents within your business, it is an indication that a bookmaker may be conducting his business on your premises, and your license will be in jeopardy. In addition, as the owner, you and/or your employees may be subject to criminal prosecution for aiding in the illegal operation. Contact your local Gambling Commission Agent or our Special Investigations Unit if you need assistance in determining whether you are at risk.  
NOTE: Personal betting is legal as long as it does not involve a fee as described above.

**Solicitation for “after hours” card games** may occur when a patron invites others to play cards at a location other than a licensed card room, such as a private residence or a hotel room. If you learn that the card game involves charging the players a fee to enter the game or taking a percentage from each hand (commonly called a “rake”), the game would be considered an illegal activity. However, card games may be played in a private residence as long as there is no fee collected. Contact your local Gambling Commission Agent or our Special Investigations Unit if you need assistance in identifying or discouraging this activity in your business.

## **I. PUNCHBOARDS**

### **230-02-270 Punchboard Defined**

A punchboard is a device (board) containing a number of holes in which punches (slips of paper imprinted with numbers or symbols) are placed. After paying for a chance to play, a player selects and removes a punch from the hole. If the number or symbol on the punch matches the winning numbers or symbols on the flare, then a prize is awarded.

### **230-30-055 Standards For Construction of Punchboards**

Punchboards are manufactured with special care to eliminate any patterns for winners. The punchboards must be sealed so it is impossible to determine any punch (winner or loser) prior to being punched out of the board. The standards for flares are explained in detail in Section III A below.

## **II. PULL TABS**

### **230-02-260 Pull Tab Defined.**

A pull tab is a card, or folded/banded piece of paper (“jar “ tabs), the face of which is hidden from view. After the player pays a fee, he/she opens the pull tab to view the number or symbols. A certain number of numbers or symbols is designated in advance to be winners. If the number or symbol matches the numbers or symbols on the flare, then a prize is awarded. The standards for flares are explained in detail in Section III A below.

### **230-30-103 Standards For Construction of Pull Tabs and Game Protection**

#### **Systems Which Protect the Public**

Pull tabs shall be constructed so that it is impossible to determine (by any method or device) the concealed numbers, symbols, or game protection, until it has been opened by the player.

#### **Systems Which Protect the Operator**

A unique *series number* for each game is printed on the outside of the tabs, as well as on the flare (the two **MUST AGREE**). Series numbers do not repeat more often than once every three years.

Each manufacturer has its own *primary game protection* for each pull tab game. The primary game protection is a method of identifying winning pull tabs from non-winning pull tabs. Examples include lines drawn through a winning combination, prize amounts stated in dollars, color combinations, or symbols appearing in a certain order.

All pull tabs must also have a *secondary verification code* on all winners over \$20. Secondary verification methods generally involve (1) matching a numeric code on the inside (face) of the tab to a master sheet of verification codes or (2) using a black light to determine the validity of the tab. Numeric codes are traditionally used on hard tabs, while the special ink (black light) is used on “jar” tabs, also known as “banded” tabs. Each game you purchase should contain information concerning the type of system being used. This information needs to be available for all pull tab sellers, in order to verify the winner as legitimate. This is discussed further in Section III E below.

**These security measures are required of the manufacturers. We strongly suggest you utilize them to prevent from being defrauded by dishonest players. Attempts by anyone (including the owner or any employee) to determine winners in advance are considered to be defrauding the public and can lead to criminal prosecution and loss of all gambling licenses.**

**230-30-080**

**Merchandise Pull Tab Games**

**230-30-106**

Attachment  
D

Some pull tab games offer merchandise, rather than cash, prizes. The prizes and flares for these games are put together by the distributor or operator. The resulting flare is called a “substitute” flare, the requirements of which are discussed in detail in Section III A below. Manufacturers sell sets of tabs with generic flares that are used by the distributor or operator when they put together their game. There are special rules that govern the creation of merchandise games. Below is a brief summary:

- Merchandise prizes cannot exceed a cost of \$750.
- For the purposes of determining the 60% payout, merchandise is valued at its cost plus 50%. Cost does **NOT** include sales tax. This cost plus mark up is referred to as the “retail value.” The cost plus mark up shall not exceed \$750.
- For merchandise games made by distributors or operators, at least 50% of the prizes offered must be merchandise.
- Games that contain merchandise must utilize tabs with numbers (rather than symbols) to denote winners. The substitute flare shall be constructed as follows: winning numbers shall be selected from the flare made by the manufacturer, or from the manufacturer’s designated winning numbers on the punchboard. The highest valued prize shall be assigned to the lowest available winning number and the second highest valued prize shall be assigned to the next lowest available winning number and shall be repeated until all prizes are consecutively assigned winning numbers, based on their value: Provided, that if the substitute flare is made by a licensed distributor, the winning numbers may be selected sequentially from the original flare made by the manufacturer. (See the rules regarding substitute flares below.)

**230-30-040**

**Bonus Pull Tab Games**

A bonus pull tab game is a game in which a certain number of pull tabs allow a player to open a window on the flare to determine the prize. The player wins the stated prize or a chance to immediately advance to another level on the flare. When advancing, the player wins a larger prize than would otherwise have been won at the lower level.

**230-30-045**

**Pull Tab Games with Carry-over Jackpots**

A pull tab game with a carry-over jackpot is similar to a bonus pull tab game in that it has windows on the flare, which are opened to determine the prize. One of prizes is a jackpot that is carried over to the next game if it is not won. There is at least a one in ten chance of winning the jackpot. Carry-over jackpots cannot exceed \$2,000, although the operator can set the maximum accrual at an amount lower than this if there is adequate disclosure to the public. Operators cannot change the contribution (accrual) amount on each flare. Special rules regarding record keeping and game retention are discussed in further detail below.

**230-30-025**

**Progressive Pull Tab Games**

A progressive pull tab game includes a set of tabs which is put into a group of machines. There is a progressive jackpot, which increases by a predetermined percentage for each tab sold. A licensed gambling manager must be on the premises at all times during the operation of progressive pull tabs. There are special rules regarding the calculation of the sixty percent payout and record keeping requirements which can be found in the text of the rule (they are not discussed in this handout due to the complexity of these systems). Retention of played games will be discussed further below.

### **Coin Boards**

Coin boards are pull tab games with a flare that contains numismatic or collector coins as prizes. The valuation of each coin is determined by the type of coin it is and who put the game together. Distributors and operators may make their own coin board flares, utilizing the substitute flare and merchandise requirements. Distributors and operators cannot alter coin boards sold by manufacturers.

### **230-30-033 Event pull-tab series**

An event pull-tab is authorized to be operated by a charitable or nonprofit bingo operation. An event pull-tab series means a pull-tab series that includes a predetermined number of pull-tabs that allows the player to advance to an event round. An event round is a secondary element of chance where the prizes are determined based on pull-tabs which match specific winning numbers drawn in a bingo game. The winning numbers must fall within the numbers 1 through 75. An event pull-tab series may include instant winning prizes in addition to event round prizes. The event pull-tab series must be played in a charitable or nonprofit bingo hall and must be played and completed within one bingo session. Prior to putting the game into play, the operator must fully disclose when the event round will take place. The pull-tab tickets must be available for purchase until immediately prior to the event round, unless the game is completely sold out. The following are prohibited for use with event pull-tab series: substitute flares and bonus pull-tab series. An event pull-tab game may be operated as a carry-over jackpot game.

### **230-30-034 Seal card pull-tab series**

Seal card pull-tab series means a pull-tab series that includes a predetermined number of pull-tabs that allow a player to advance to the seal card round. A seal card round means a secondary element of chance where the prizes are determined based on the number or symbol concealed by a seal located on the flare and associated with the name of a player that has advanced to the seal card round. The flare may include up to two seals. The second seal may be offered as an additional prize, but may not be offered as an alternative to the original prize.

When operating a seal card game the following shall apply:

- Prizes shall be awarded for all seal card pull-tab series placed out for play.
- The game must be played out before it can be removed from play.
- The operator must contact the seal card round winner within two business days.
- The seal card round winner shall have two weeks to collect their prize. If within two weeks, the seal card round winner does not collect their prize, an alternate may be chosen.

When a player receives a ticket that allows them to advance to the seal round, they must enter their name on the flare based on the line indicated by the number or symbol on the pull-tab. The player must then turn their ticket into the operator. The following are prohibited for use with seal card pull-tab series: substitute flares, bonus pull-tab series and carry-over jackpot.

### **III. PUNCHBOARD AND PULL TAB OPERATION**

#### **A. GENERAL STANDARDS**

##### **Minimum Requirements**

- The maximum fee to play is \$1 (RCW 9.46.110).
- The maximum tab count is 10,000 (WAC 230-30-080). *Exception:* progressive pull tabs, which may go up to 50,000.
- The maximum prize limit is \$750 cash, or merchandise with a cost of \$750 (WAC 230-30-080). Multiple winners on an individual pull tab or punch cannot exceed a combined value of \$750.
- The minimum payout percentage is 60%. This means that of the potential gross receipts for a game, at least 60% of this amount must be offered in prizes. For the purposes of determining the 60% payout, merchandise is valued at its cost plus 50%, not to exceed \$750 (WAC 230-30-080).
- “Last sale” prizes cannot exceed the highest prize offered, or \$100, whichever is less (WAC 230-30-080).
- All punchboards and pull tab games sold to operators in Washington State must contain an Identification and Inspection Services Stamp, usually referred to as a WSGC ID Stamp, and records entry labels (WAC 230-08-017).
- All prizes awarded shall be in cash or merchandise. Cash may not be paid in lieu of merchandise prizes offered.
- Additional chances on a punchboard or pull tab game may not be awarded as a prize.

##### **230-30-106 Punchboard and Pull Tab Flares**

A flare is a poster displaying the prizes available to be won. Flares must set forth all winning numbers or symbols. Most information about a game can be found on a flare. A flare and a set of tabs comprise a pull tab game. On punchboards, the flare is glued to the board.

The following must be disclosed on all flares (on the front of the flare, unless otherwise indicated):

- All prizes available
- Numbers or symbols which win each prize
- Set out the winning numbers or symbols for prizes (cash or merchandise at retail value) over twenty dollars in such a manner that each may be easily and clearly deleted or marked off as each prize is won and awarded
- Cost per play
- Manufacturer assigned series number
- WSGC identification stamp (front) and records entry labels (back)
- Tab count
- Name of manufacturer (stamp, seal, or label will suffice)

As a general rule, the flare advertising prizes available from the operation of any punchboard, or any series of pull tabs, shall be made by the manufacturer only and shall not be altered by any operator or distributor. Exceptions are discussed in the following section.

**Substitute Flares:**

A substitute flare is a second flare that is placed over the original flare. The purpose is to modify the prizes of a game. Substitute flares may be utilized in only two circumstances:

1. Distributors may apply manufacturer-produced substitute flares to punchboards and pull tab series. This would be done to modify the cash prizes on the original flare.
2. Distributors or operators may make and apply substitute flares which offer merchandise or combination merchandise-cash prizes.

The following standards apply to all substitute flares:

- The responsibility for ensuring the substitute flare meets the requirements shall rest with the one who changes the original flare and attaches the substitute flare. *All substitute flares must comply with the minimum requirements and standards of original flares (listed in the sections immediately above).*
- The original WSGC ID Stamp number and the series number must be permanently written on the substitute flare in ink.
- The original manufacturer's flare shall be permanently defaced so it is unusable and the substitute flare shall be attached to the original manufacturer's flare.

The following *additional* standards apply to all substitute flares where prizes are converted from cash to merchandise, or a combination of merchandise-cash:

- At least fifty percent of the total value of prizes offered shall be merchandise.
- Tabs with numbers, rather than symbols, must be used to denote winners. The substitute flare shall be constructed as follows: winning numbers shall be selected from the flare made by the manufacturer, or from the manufacturer's designated winning numbers on the punchboard. The highest valued prize shall be assigned to the lowest available winning number and the second highest valued prize shall be assigned to the next lowest available winning number and shall be repeated until all prizes are consecutively assigned winning numbers, based on their value: Provided, that if the substitute flare is made by a licensed distributor, the winning numbers may be selected sequentially from the original flare made by the manufacturer.
- A minimum 60% payout must be met. The game must offer prizes which equal at least 60% of the potential gross receipts. Merchandise is computed using its "retail value" which is its cost plus 50%.

Extremely Important Note: Game payouts and cash prizes may NOT be changed by any method other than the application of another manufacturer-made flare. Distributors and licensed operators are not allowed to substitute cash prizes set forth by the manufacturer with other cash prizes. The only conversion that can be done is turning a cash game into a merchandise game.

**"Add-on" Prizes**

In addition to prizes established by manufacturers, a *commercial licensee* may add additional prizes to punchboards or pull tab series if all of the conditions below are met:

- Such prizes are cash or merchandise
- The manufacturer's flare shall not be changed.
- Full details of the prizes and requirements to qualify shall be disclosed to players by an

additional sign that is *permanently* attached to the manufacturer's flare.

- The additional prize must be added to every prize that is within a tier or section of the flare.
- Documentation regarding all additional prizes shall be permanently attached or stapled to the winning punch or pull tab for which such a prize is awarded. Minimum documentation shall include a description of the prize awarded and the name of the winner.

## **B. SALES OF PUNCHBOARDS AND PULL TABS**

### **230-30-210 Sales Restrictions**

All punchboards and pull tab series sold to operators must be manufactured by licensed manufacturers.

Licensed operators may purchase punchboards and pull tab series only from distributors or manufacturers licensed in Washington State. Likewise, distributors may only purchase from licensed manufacturers or other licensed distributors.

### **230-12-340 Purchasing on a Cash Basis**

Operators may only purchase punchboards, pull tab series, and dispensing devices on a cash basis upon, or prior to, actual delivery. A cash basis shall consist of payment in full, either by cash or check, with payment made to the seller by the operator.

Gambling equipment with a unit price over \$1,000 may be leased to own over a period not to exceed 48 months (see WAC 230-12-340 (10) for requirements). A copy of all capital leases for gambling equipment must be provided to the Commission within 30 days of execution of the agreement.

### **230-08-025 Invoices and Credit Memos**

#### **230-08-040**

Attachment  
E

The transfer of gambling equipment must be documented on an invoice or credit memo. When licensed operators purchase any goods or services (punchboards, pull tabs, dispensing devices, merchandise prizes, or repair services) from a licensed distributor, one copy of an invoice will be issued and will contain at least the following information:

- Date of sale. If the delivery date is different, both dates must be included on the invoice. It is recommended that licensees verify the dates are correct when the product is delivered.
- Operator's name and adequate address (at least city).
- Full description of items sold including trade name, type of device, form number, tab count, and the WSGC ID Stamp number.
- Quantity and price of each individual item.
- Gross amount of each sale, including discount terms and the total dollar amount of any discount.
- Credit memos for returned items shall be prepared in the same detail as listed above.

If an operator purchases merchandise for prizes from someone other than a licensed distributor, the following information must appear on the receipt from the seller:

- Date of purchase.
- Company's name and adequate business address.
- Full description of each item purchased (include model/serial #).
- Quantity of items purchased.
- Cost per individual item.



### **Verification of Information**

It is each operator's responsibility to ensure that all required data is correctly recorded by the distributor when punchboards or pull tabs are delivered. The delivery dates, discounts, WSGC ID Stamp numbers, and quantity of games should be verified.

### **Accountability of Games**

Each punchboard and pull tab game shall be controlled and accounted for. Each operator shall monitor all punchboards and pull tabs purchased to assure that WSGC ID Stamp numbers are correctly entered in all records and each device purchased is properly recorded.

## **C. OPERATING REQUIREMENTS**

### **Placing a Game into Play**

At the time a punchboard or pull tab game is placed into play, each operator must record the following in the allotted space on the distributor's invoice:

- Date placed into play.
- Washington State identification number (by attaching a records entry label).

It is recommended that the operator also document the date in play somewhere on the flares. This makes completing the monthly income summary easier.

Once placed out for play, a punchboard or pull tab series flare may not be modified or changed, except for the deletion of prizes as required.

All pull tabs in a series must be thoroughly mixed prior to being offered for sale. Failure to mix may result in a minimum five-day suspension of license for each series not mixed.

Pull tabs cannot be added to a series after it has been shipped from the manufacturer.

Flares shall be placed only upon the upper face, or on the top of any punchboard, or in plain view and in the vicinity of any pull tab dispensing device or container. If the flare is not attached to the dispensing device or container, a numerical or alphabetical reference shall be included directly on the flare and dispensing device or container clearly indicating which flare corresponds to which series.

**230-30-050**  
**230-30-097**

### **Dispensing Devices**

All pull tabs must be sold from a commission approved dispensing device (made by a licensed manufacturer) or a transparent container ("fishbowl"). If sold from a transparent container, the pull tabs must be visible to the players so that the players are able to estimate the number of chances remaining in the series.

Each pull tab game must be wholly contained within the dispensing device. No more than one dispensing device can be used for each game.

Pull tab games cannot be commingled. Pull tabs must be permanently removed from the dispensing device before another game is put in it. For the use of a multiple series dispensing device, each series shall be played independently.

Bill acceptors on dispensing devices that do not return change must clearly disclose that fact to the consumer.

#### **230-30-050     Removing a Game from Play**

Pull tabs can only be removed from the dispensing device for the following reasons:

- The pull tabs are sold.
- The game is permanently removed from play. Any punchboard or pull tab series that is permanently removed from play shall not be placed out for further play under any circumstances.
- The pull tabs are removed by commission representatives or other law enforcement agency inspecting the device.
- The pull tabs are temporarily removed for necessary repair or maintenance of the device.
- The game is permanently held for a player (see below).

When a game is removed from play, it must be reconciled and recorded on a Monthly Income Summary. This is discussed in further detail in Section IV. A. below.

#### **230-30-050     “Happy-Hour” Games**

Happy-hour games are punchboard or pull tab series designated to be played only during certain hours of the licensee's operation. The games contain “add on” prizes as authorized by 230-30-106 and therefore may only be operated by commercial stimulant operators. These games may not be removed from the dispensing device, must remain in full view of all players, and must be clearly identified. House rules must be posted regarding hours of play and/or other conditions affecting play.

#### **230-30-050     “Reserved” Games**

Reserved games are punchboards or pull tabs series that are temporarily being held for a player. These games may not be removed from the dispensing device, must remain in full view of all players while on reserve, and must be clearly identified as reserved.

Licensees wishing to reserve a game for a player must have established house rules that include conditions for reserving the game and the maximum time for which a game may be reserved. These house rules must be posted in plain view of the players and are clear in meaning.

#### **230-30-050     “Permanently Held” Games**

Permanently held games are punchboards or pull tab series that are permanently being held for a player. These games may be removed from the dispensing device and removed from public view, but they may not be put back in public play once the player is through playing. The following guidelines must be adhered to:

- House rules that are clear in meaning must be developed and posted for all players to see. The house rules must contain the maximum length of time a player may permanently hold a game.
- Games may not be permanently held for more than 7 days without play, with a *maximum total reserve time of 14 days*.
- Operators may not have more than 25 games on permanent hold at one time.

- While being permanently held, the game must be wholly contained in a secure manner, clearly identified, and stored in the immediate vicinity of the pull tab area.
- Adequate accounting records showing the status of permanently held games must be maintained.

### **House Rules – Suggestions**

The Gambling Commission recommends that operators develop and post hours rules to cover issues that may arise with players. Some of these issues may not be addressed in the WAC rules; thus, house rules will help protect both the operators (from complaints) and the players (from inconsistent treatment). Your house rules should be clear in meaning and posted where all players can see them. Some examples of things to be considered in developing house rules are:

- Happy-hour games
- Reserved games
- Permanently-held games
- Policy for “buying out” games (see Page 19)
- Winners will be properly identified and proof of identification required
- Winners will not be honored if punches or pull tabs leave the premises
- Winners must be turned in immediately
- Once a series is pulled from play, winners will not be honored

## **D. OPERATING RESTRICTIONS**

**230-30-050** No person under the age of eighteen years and no person intoxicated or under the influence of any narcotic, shall be allowed to play or sell any punchboard or pull tab series. It shall be the responsibility of both the licensee and the person operating the punchboard or pull tab series to determine and ensure that no unauthorized person is allowed to play or sell.

Operators shall not permit the display or operation of any punchboard or pull tab game which may deceive the public or which affects the chances of winning or losing upon the taking of any chance. All punchboards and pull tab games shall meet the requirements of WAC rules.

## **E. PRIZES**

### **230-30-070 Control of Prizes**

Punchboard and pull tab prizes shall be closely controlled to ensure players are not defrauded.

### **230-30-070 Display of Prizes**

Operators must display prizes so customers can easily determine which prizes are available from any punchboard or pull tab series or device operated on the premises. This is accomplished by properly deleting the prize from the flare when it is won (see details below).

Merchandise prizes shall be displayed in plain view in the immediate vicinity of the punchboard or pull tab series. If size or space constraints do not allow the prize to be displayed, it may be displayed elsewhere on the premises if a specific reference to the actual prize is noted on the flare. If the merchandise prize cannot be displayed on the premises, an accurate description and/or photograph of the prize must be displayed in plain view on or immediately adjacent to the flare.

## **230-30-070      Redemption of Winning Tabs and Awarding Prizes**

### **Attachment      *FOR TABS \$20 AND UNDER:*** F

1. Verify series number and color matches flare for game in play.
2. Deface tab (recommended but not required).
3. Delete prize from flare if spelled out (recommended but not required).
4. Pay the winner the prize.
5. Save ALL winning tabs.

### ***FOR TABS OVER \$20:***

1. Verify series number and color matches flare for game in play.
2. Check secondary win protection on tab to verify it is a winner from the game in play.  
Utilize game protection information supplied by the manufacturer.  
(Note: Punchboards do not have secondary win protection.)
3. Examine tab for possible alterations.
4. Deface tab (Highlighter or marker works well. Punches and thick black markers are not recommended as they may destroy visibility of winning symbol).
5. Permanently and conspicuously delete the prize on the flare. Permanently means a nonremovable sticker or a permanent marker. For bonus-type flares, all references to prizes no longer available must also be deleted.
6. Record the following information on the tab (if the tab or punch is too small, put the information on a paper no less than 3"x 5" and staple to the tab or punch):
  - Winner's name (print). If winner can't legibly print name, bartender may do so.
  - Winner's date of birth.
  - Worker's initials
  - Current date
7. Check the winner's I.D. against what has been printed on the tab. Make sure the information is current.
8. Pay the winner. Do this last, even if the winner is impatient.
9. Save ALL winning tabs.

Prizes must be awarded to customers immediately after verifying the tab is a valid winner.

### ***Potential Forgeries or Altered Tabs:***

Attachment      It is strongly recommended that operators examine pull tabs when they are turned in. Do they  
G      look like they were just dispensed, or are they worn, soiled, stained, damp, or wrinkled? If a  
tab looks suspicious, check the edges for evenness. Are the edges straight? If the edges overlap,  
the tab may be forged. Run your thumb and finger across the top and bottom of the tab and  
check for bumps. Tabs should be smooth and consistent in thickness.

If you believe a tab had been forged or altered, you should do the following. First, always maintain possession of the tab. Next, attempt to obtain/confirm the person's ID. You may need to delay payment of the prize until the winning tab has been examined and verified by a Gambling Commission Agent. In this situation, you should tell the customer you must retain

the tab and delay payment of the prize until the tab has been verified as a legitimate winner. A suggestion might be to issue a “receipt” to the player for the retained tab in lieu of the prize until the tab has been verified.

Whatever you do, KEEP THE TAB! Document information about the person and incident immediately, as your memory may not be as good later.

### **Prize Deletion Rules**

Operators must permanently and conspicuously delete all references to prizes over \$20 that have been won from any flare, and from any other list or sign posted, in such a manner that all future customers will know the prize is no longer available. On step-up punchboards and bonus pull tab games, once all opportunities in a section of the flare have been won, all references to prizes no longer available to be won must also be deleted on the flare. Failure to properly delete prizes from flares is considered to be fraud against the players in violation of RCW 9.46.190 and could result in revocation of a gambling license. Therefore, the deletion of prizes is an important step that should be taken seriously.

Prizes shall not be paid or delivered to the winner until all references to the prizes have been deleted from the flare.

### **Mistakes**

Operators may correct an inadvertently deleted prize by noting on the flare that such prize is still available. Such reference shall be permanently and conspicuously deleted when the prize is actually awarded.

### **Special IRS Rules:**

Pull tab prizes \$600 or higher must be reported to the IRS. The operator is required to complete a Form W2-G (obtain from the IRS). The winner must furnish the operator with proper ID and social security number. If the winner fails to furnish the necessary information, the operator must withhold 31% of the prize as federal income tax and submit it to the IRS. Special rules apply to pull tab prizes over \$5,000. Refer to IRS guidelines for more details.

### **“Buy Out” of a Game**

When someone buys out a game, the operator normally counts the remaining tabs or punches, then receives the amount due from the customer. Prior to the count, the operator should announce to other players that the game is being bought out and to please turn in all winners. If there are restrictions on the buying out of games, such as the prohibition of buyouts one hour before closing time, these should be posted in the house rules.

The operator must pay or award to the player all such prizes that are required to be, but have not been, deleted from the flare when the punchboard or pull tab series is completely played out.

## **F. SUGGESTIONS TO HELP CONTROL FRAUD AND CHEATS**

- Properly examine each winning tab and follow procedures for verifying winners (discussed above).
- Purchase games utilizing winner protection that employees can understand.

- Purchase a black light if utilizing jar tabs.
- Develop and post adequate house rules (discussed above).
- Contact players who have been playing at pull tab machines for a while and have not asked for any change. Open wall machines occasionally to verify money is being deposited into the machine.
- Locate pull tab machines where they can be visually monitored.
- Locate fishbowls where they can adequately be safeguarded during hours of operation and when closed. Some operators choose to lock up their pull tabs at night.
- Restrict access to new and used punchboards and pull tab games.
- Examine how you dispose of used punchboards and pull tab series.
- Restrict access of keys to specific people.

#### IV. RECORD KEEPING AND RETENTION

##### A. REQUIRED RECORDS

###### 230-08-010 Punchboard/Pull Tab Monthly Income Summary

Attachments H & I Once a punchboard or pull tab series has been permanently removed from public play, it must be reconciled and recorded on a Monthly Income Summary. Monthly Income Summaries are commonly referred to as “monthly records.”

It is recommended that games be recorded on monthly records immediately after being pulled from play. However, the rules require monthly records to be completed no later than:

- Thirty (30) days following the end of each month for charitable/nonprofit organizations.
- Fifteen (15) days following the end of the month for commercial operators.

Operators must keep separate records for each month. Within each month, separate Monthly Income Summary sheets should be kept according to whether the games are punchboards or pulltabs, the prizes are cash or merchandise, and the dispensing devices are fishbowls or machines.

Computer generated records must include all information required to be documented on monthly records. If it meets the Gambling Commission’s electronic readability requirements, a computer generated facsimile of the stamp number may be imprinted on the records in lieu of a records entry label.

Attachment J Operators utilizing games with carry-over jackpots must maintain a separate record documenting the flow/accumulation of carry-over jackpots from one game to another in a format prescribed by the commission.

###### 230-08-130 Quarterly Activity Report

Attachments K & L All licensees are required to submit an activity report for their punchboard/pull tab activity to the Gambling Commission. These reports are supplied by the Gambling Commission and are mailed to you each quarter. **The report shall be received in the Gambling Commission headquarters office or postmarked no later than 30 days following the end of the quarter. Failure to submit reports in a timely manner may result in a statement of charges.**

A set of instructions accompanies the report. However, if you have any questions regarding how to complete the report, please contact the Financial Reporting Section, at

### **Other Records**

Nonprofit/charitable organization records shall clearly show in detail how the proceeds from each licensed activity obtained by the licensee were used or disbursed. Records that shall provide a satisfactory audit trail to allow verification that the funds were used for the organization's stated purpose must be maintained. These records will include, but not be limited to, canceled checks for all disbursements, supporting documentation for expenditures, and explanation of all deposits. Please refer to WAC 230-08-010 and WAC 230-08-122 for more details on records that need to be maintained.

### **Records Retention**

All invoices, records, reports, and receipts relating to a punchboard or pull tab game in play must be retained on the licensed premises and made available on demand to law enforcement officers and representatives of the commission.

All gambling and related business records must be maintained and kept for at least three years from the end of the licensee's fiscal year. It is recommended that operators check with other agencies to determine if longer retention periods may be applicable.

## **B. INVENTORY RETENTION REQUIREMENTS**

### **230-30-072 Punchboard and Pull Tab Inventory & Retention Requirements**

All new and used punchboards and pull tab games must be made available for inspection (on the licensed premises) by Gambling Commission Agents, local law enforcement, or taxing agencies. If devices are stored off premises, they must be produced for inspection upon demand.

Each punchboard or pull-tab game, which is removed from play, shall be retained by the operator. The minimum retention time for games removed from play shall be:

- Charitable or nonprofit licensees –  
*All flares, unsold tabs, and winning tabs:* Four months following the last day of the month in which the device was removed from play.
- Commercial stimulant licensees –  
*Flare and unsold tabs:* Two months following the last day of the month in which the device was removed from play.  
  
*The flare and all winning punches or pull-tabs in excess of twenty dollars (\$20):* Ninety (90) days following the day the device was removed from play.  
Increased retention requirements may be imposed on any commercial stimulant licensee who fails to comply with retention and record keeping requirements.
- Special Games – Special Retention Requirements  
*Pull tab games with carry-over jackpots:* Each pull tab series contributing to a jackpot must be retained as one series. The retention period for all series shall start on the last day of the month in which the jackpot was awarded, rather than when the series was removed from play. The specific retention period from that point forward is as mentioned above (4 month

for nonprofits and 2 months for commercial licensees).

*Progressive pull tab games:* In addition to the requirements mentioned above (4 months and 2 months) the progressive jackpot winning tabs, winner information, and flare must be retained for one year from when the game was removed from play.

It is recommended that operators check with their local taxing authority for retention requirements, as some jurisdictions may have requirements for longer retention.

Any game that has been played and subsequently returned to a distributor or manufacturer is exempt from the retention requirements. However, the operator must retain a copy of the Quality Control Report and/or credit memo and must record each game on its monthly record as required. If a device is returned to a distributor for any reason, the operator shall record the date, invoice or credit memo number, and "returned" on the original purchase invoice or inventory record on the corresponding entry for the device.

For purposes of compliance with the requirements of this section and license class compliance, gross gambling receipts from the operation of punchboards and pull tabs shall be adjusted for commission staff audit findings. In addition, commercial operators who fail to comply with record keeping requirements or who misstate gross receipts by more than 1% may have their retention requirements increased for a minimum of one year. See WAC 230-30-072 (3) and (6) for details.

## **V. MISCELLANEOUS**

### **A. DEFECTIVE GAMES**

The following procedures should be followed with regard to games that have been opened and found to be defective:

- If the defect is noticeable upon opening, do not put the game into play. Since the game has been opened, however, you should record it on your monthly income summary. Indicate zero receipts and note that the game was returned to the distributor as defective.
- If the defect is noticed during play, pull the game from play, reconcile it, and record it on your monthly records.
- Call a Gambling Commission Agent. He/she will complete a Quality Control Report. It is recommended you call the Gambling Commission rather than notify your distributor.
- Once you have received the Quality Control Report from the Gambling Commission, retain one copy for your records and send the other copy, along with the entire game, back to the distributor.
- Note that the game was returned and the date on the original invoice.

Games that have not been opened and are known to be defective (for example recalled games) may be returned to the distributor without a Quality Control Report.

### **B. GAMBLING SERVICES SUPPLIERS**

#### **230-02-208 Punchboard and pull tab service businesses**

Punchboard and pull tab service businesses provide record keeping services to operators for compensation. These services include reconciling played games (sales, prizes, over/short, etc.); completing monthly records, quarterly activity reports, or other mandated records; and storing games removed from play.



Punchboard and pull tab service businesses are required to obtain a permit from the commission before performing the services mentioned above. See WAC 230-04-133 for details. If gross billings exceed \$20,000 per year or management or consulting services are provided, a license rather than a permit is required.

Distributors and manufacturers are not allowed to perform these services, either for compensation or for free.

## **230-02-205 Licensed gambling service suppliers**

Gambling service suppliers are companies or individuals who provide gambling related services to operators that have more than \$20,000 in gross billings per year or exceed the scope of services mentioned above. Examples of services include providing the following:

- Consulting or advisory services regarding gambling activities (bingo consultants, pull tab consultants, etc.).
- Gambling related management services.
- Storage, counting services, and/or specialized record keeping services for gambling activities (except general record keeping services provided by a professional accountant).
- Financing to operators (except banks and credit unions).
- Any other service or activity where influence may be exerted over any gambling activity licensed by the Commission.

Gambling service suppliers do not include the following:

- Manufacturers or distributors who service and repair pull tab dispensing devices, bingo equipment or any other authorized gambling equipment.
- General governmental affairs consultants, attorneys/legal services, or professional accounting services.

## **C. TAXES**

### **Federal Taxes**

In addition to filing a Form W-2G for certain gambling winnings, operators are required to file taxes on wagering.

- Wagering Excise Tax: Tax assessed on gross amount of wagers received. This is accomplished by filing a Form 730. See Code section 4401 for details.
- Occupational Tax: Annual fee imposed upon each person engaged in receiving wagers on behalf of the operator. The tax is \$50 per year per person receiving wagers.

Please note that the information provided here is only a brief summary and is subject to change. Contact your accountant or the IRS for potential liability for federal taxes due from gambling activities.

### **State Taxes**

Operator are required to pay B&O tax on the sales of punchboards and pull tabs. In addition, there is a sales tax on gross receipts for games which offer merchandise as prizes. Please contact the Washington State Department of Revenue for details.

### **Local Taxes (County or City)**

Local authorities are authorized under RCW 9.46.110 to tax gambling activities authorized under state law. The parameters for taxing punchboard and pull tab sales is as follows:

- *Charitable or nonprofit organizations:* Based on net receipts (gross receipts minus prizes paid), not to exceed 10%.
- *Commercial operators:* Based on net receipts, not to exceed 10%, OR gross receipts, not to exceed 5%.

Contact your local taxing authority (either county or city, depending on your location) for information on local gambling taxes. Most local jurisdictions collect some form of gambling tax.